

**§ 1788.12 Use of insurance proceeds.**

In the event of damage, loss, or destruction of property mortgaged to the government covered by insurance, the borrower shall repair or replace the damaged, lost, or destroyed property so that the property is in substantially the same condition as before the damage, loss, or destruction. Unless mortgagees direct otherwise, the proceeds of the insurance shall be used for that purpose.

**§ 1788.13 Package-type policies.**

RUS recommends that borrowers secure broad form, package-type policies (special multi-peril, combined fire, and boiler), when possible, combining all or as many as many as possible of the various coverages into a single policy to reduce the number of policies issued by individual insurance companies and to avoid any question between the insurance companies about responsibility.

**§ 1788.14 Obtaining minimum cost.**

Borrowers should request proposals from several companies, both stock and mutual, for initial and renewal of insurance policies to obtain a minimum cost for their insurance. Borrowers should maintain an accurate loss record for all insurance coverages to establish trends and evaluate the effect of losses on premiums.

**§ 1788.15 Type of policies.**

RUS recommends term policies, either 1- or 3-years, for insuring buildings, contents, stock, and equipment and reporting policies for insuring fluctuating material inventories.

**§ 1788.16 Telephone building rates.**

Telephone borrowers should investigate the possibility of having the building fire rate applied to both the buildings and contents in those states that permit the single rate. Buildings and contents coverages should be combined in the same policy.

**§ 1788.17 Coinsurance recommended.**

RUS recommends coinsurance where it is available. In accepting a policy with a coinsurance clause, the insured agrees to maintain insurance in an amount equal to at least a percentage

of the actual cash value stated in the coinsurance clause.

**§ 1788.18 Advantageous fire rates.**

To eliminate delays and costly alterations, and to secure the most advantageous fire rates for buildings (generation plants, headquarters buildings, etc.) borrowers should have plans and specifications for buildings reviewed by the state fire rating bureau, the insurance agent of record, or competent, independent consultant for their recommendations.

## Subpart B—Specific RUS Minimum Requirements

**§ 1788.19 General.**

This subpart sets forth specific RUS minimum requirements for insurance and fidelity coverages for electric and telephone borrowers.

**§ 1788.20 Officers and employees.**

Borrowers shall provide fidelity coverage for each officer and employee based on the estimated annual gross revenue of the borrower.

**§ 1788.21 Types of coverage.**

A new Commercial Crime Policy came into use January 1, 1986. This new policy form should be used in lieu of the Blanket Position Bond or Comprehensive 3D policies.

Under this Commercial Crime Policy the amounts of coverage required are as follows:

Annual gross revenue	Amounts of coverage
Less than \$200,000 .....	\$50,000
\$200,001 to 400,000 .....	100,000
400,001 to 600,000 .....	250,000
600,001 to 800,000 .....	300,000
800,001 to 1,000,000 .....	400,000
1,000,001 and over .....	500,000

The Rural Utilities Service Endorsement, Exhibit A, is necessary on all separate policies or where the fidelity coverage is added to a package policy. For a municipal borrower, a public employees' blanket bond covering employees and officers responsible for activities of the RUS-financed facilities is acceptable.